

Total Compensation Advisory Council (TCAC)
Minutes of the Meeting of February 25, 2005

Present: Patty Goodwin
Mary Ann Myer
Joe Nicolini
John Postolowski
Deb Roberts

DPA Jeff Schutt
Karen Fassler
Sue Huang

Guest: Jerry Wittmer DPA

The minutes from the November 5, 2004, were approved as written.

Benefits Update: Ms. Fassler reported that enrollment for medical in 2005 is about 24,000, an increase of 600, dental 32,000, an increase of 2700. Last year, there was a decrease in enrollment of about 2,000.

We are in the contract negotiation and installation planning stage. There is currently a protest but we are proceeding in order to be ready for July 1. We are changing to a 4-tier structure to be more equitable and to be more comparable with the market. Plan design details could change but there are five plans that have the same coverage and network with the differences being the premiums, co-payments, and co-insurances. Two are in-network plans similar to HMOs or EPOs, and three PPO plans. PPOs cover out-of-network benefits, but the discounts are applied to in-network services. One of the PPOs is a high deductible health plan that qualifies for a Health Savings Account (HSA) beginning July 1, 2005. Thus, an employee enrolled in this plan can purchase an HSA from the market, e.g., financial institution. San Luis Valley and Kaiser HMOs will also be offered as fully insured plans. For dental, there will be Basic, Basic Plus, and Direct Reimbursement (DR) through Delta Dental. The free dental program will no longer exist because it is important for employees to have some buy-in and to ensure the State is not contributing its dollars to those who never use the services. DR is a program where employees can go to any dentist, pay for the services, and submit the bill for reimbursement from the State's plan. In a DR plan, there is no network so there are no discounts or quality checks for things like credentials. However, employees may still be able to negotiate discounts on their own with their providers. This type of plan may fill a gap for those who want certain services that are not covered or are limited under traditional plans, e.g., more frequent teeth cleanings.

We will go to self-funding medical and dental as the proposals for self-funding were less costly than remaining fully insured. Great West will be the Third Party Administrator (TPA) for the self-funded plans and administer the claim process. They will also provide a pharmacy benefit management (PBM) program through an affiliation with Express Scripts and provide stop-loss insurance, which protects the fund from major claims.

The upcoming open enrollment is a positive one where all employees must participate, even if they do not want to enroll in our benefit plans. We need to collect as much demographic data as

possible in order to establish a baseline for monitoring and adjusting our plans. The Council suggested examining incentives and carefully explaining the need to those who do not take our coverage in order to encourage participation. Enrollment will begin in mid-April and end around May 20. It is a staggered enrollment so it will begin with COBRA participants, then higher education and the General Assembly because they leave during the break, and then be open to general government. The Employee Benefits Unit is developing a series of *Healthlines* that start with some consumer education e.g., introduction to some benefit terms, and move to the specifics of this open enrollment.

Legislative update: The Total Compensation Section is following a number of compensation and benefits-related bills that could potentially impact programs or our providers. For example, SB 23 would prohibit contracting, including subcontracts, outside of the United States, which impacts the personal services program. HB 1300 regulates pharmacy benefit managers so we will monitor the bill because of our new PBM program.

Other bills of interest could potentially have direct impact. HB 1101 would extend health coverage to unmarried dependents up to age 25 (vs. 24). The dependents do not have to be full-time students but must live in the parent's residence and be financially dependent. It allows the parent to purchase a rider or supplemental for a premium. HB 1231 is a clean up bill to last year's legislation on defined contribution retirement plans for new employees beginning January 1, 2006. Suzanne Kubec covered this topic at the last meeting. SB 21 provides unpaid parental leave for school activities at five hours per month for a maximum of 40 hours in an academic year. The employer can require the leave be taken in 2 ½ hour segments. It also allows the employer and employee to agree to the use of paid leave or "make up" time in lieu of unpaid leave. As amended, direct health care and law enforcement are excluded. SB 172 is a technical bill to protect the benefits reserve fund. While it may not be necessary, the JBC is sponsoring the bill to make it very clear that the reserve can be used only for benefits. Mr. Schutt noted that is very good for employee relations as there is some misunderstanding that the General Assembly has used the benefit reserve fund for other purposes, which has never happened. It was noted that HB 1117, which added age and years of service for retirement, was postponed indefinitely.

Total Comp FY0506 Update: Ms. Huang provided a summary sheet with the FY 05-06 total compensation updates based on the latest JBC actions, including salary pay structure adjustments, a 3% across-the-board salary adjustment, and 59.5% of prevailing employer contributions to medical but no change for dental and life. There are no dollars for performance pay. The group discussed experience with performance pay. Mr. Nicolini pointed out that he observed a change during his discussions with supervisors from not believing in PBP to 90% being supportive. Another across-the-board increase (3% for this year and 2% last year) generates complaints from outstanding performers who are receiving the same pay adjustment as those who did not perform at that level. It was noted that the Council and DHR need to work more on making PBP work.

FY 05-06 survey audit has begun. It is hoped that some constructive advice will come out of this audit regarding how to move employees through pay ranges given our circumstances, e.g., tight budgets, small or no performance pay. DHR has started its FY 06-07 survey and foresees no

major change in survey process. There may be some improvements in performing specific actual pay comparisons with the market, e.g., Nurses, in order to realign some state jobs that are significantly different from the market.

Rules Update: This is the first comprehensive review and revision of rules and procedures since 1998. Basically, the current rules and procedures will be repealed and reenacted, effective July 1, 2005. Notice of rulemaking was filed with the Secretary of State on February 18 and a joint hearing is set for April 13 and 14 at the Fort Logan Auditorium. Two versions of the rules (one with strikeouts, one without) are available on the DHR website, click on Rules. General changes include: new sequential numbering with Board rule indicated by a B; statutory cites at the beginning of a chapter; all definitions moved to the end of Chapter 1; and uniform terminology, e.g., rules and procedures simply referred to as rules in the document. Highlights of the major revisions include the following.

- Allow salaries to go below the minimum of a range for discipline.
- Non-renewal of SES contracts may be for any business reason.
- Simplify the payment of comp time by eliminating the rolling 4-month period and paying any hours over 60.
- Clarify the mandatory and discretionary reasons for removal from employment lists.
- Define temporaries and allow a person to fill a succession of temporary appointments as long as the positions are in different departments and no one position exceeds the 6-month limit.
- Simplify holiday leave so a prorated amount is granted, up to 8 hours, based on the portion of the month in paid status, as long as the employee works through the holiday.
- Add the policy of discretionary administrative leave on a make-whole basis for active military.
- Add the policies on expanding leave sharing to active military and catastrophic life-altering events to rule.
- Reorganize the chapter on personal services contracts so it is structured around the decision making process as opposed to paraphrasing statute. Also add a notification and Director's review process for those potential contracts that propose eliminating permanent positions.
- Clarify the appeal process for fully insured and self-funded benefits plans.
- Separate the Board and Director appeals processes.

TCAC members were encouraged to contact Judi Karg for next meeting agenda items.

Tentative Agenda for March 25, 2005 meeting:

Benefit Update

Total Comp Update

Legislative Update